

Message Text

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PAGE 01 STATE 296341

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ORIGIN TRSE-00

INFO OCT-01 EUR-12 ISO-00 FEA-01 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-07 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 TAR-01 PRS-01 SP-02 OMB-01 NSCE-00 SSO-00

USIE-00 INRE-00 /087 R

DRAFTED BY TREAS:RSELF:JH

APPROVED BY EB/OT/STA:WCLARK, JR.

EB/OT/STA:MCJONES

EUR/RPE:AALBRECHT

EUR/WE:HGMOEN

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FM SECSTATE WASHDC

TO AMEMBASSY ROME IMMEDIATE

INFO USMISSION EC BRUSSELS IMMEDIATE

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E.O. 11652: N/A

TAGS: ETRD, IT, EC

SUBJECT: COUNTERVAILING DUTY CASE -- FLOAT GLASS

REF: ROME 16844

1. IN A FINAL EFFORT TO PROVIDE ITALY OPPORTUNITY TO
AVOID AN AFFIRMATIVE COUNTERVAILING DUTY DECISION, EMBASSY
IS REQUESTED, IF IT APPEARS THERE IS ANY CHANCE OF SUCCESS,
TO APPROACH SIV AND ST. GOBAIN DIRECTLY WITH PROPOSAL THAT
IF THEY PROVIDE WRITTEN ASSURANCES THAT THEY WILL NOT EXPORT
FLOAT GLASS TO THE UNITED STATES, WHICH THE ITALIAN GOVERN-
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PAGE 02 STATE 296341

MENT ACKNOWLEDGES AND AGREES TO OVERSEE, THE TREASURY WOULD

TERMINATE THE INVESTIGATION WITH RESPECT TO THOSE TWO COMPANIES. A REVIEW OF THE ALLEGATION IN THE PETITION AGAINST VERNANTE, WHOSE FACILITY IS LOCATED OUTSIDE THE MEZZOGIORNO, SHOWS NO APPARENT EVIDENCE THAT THE COMPANY IS THE RECIPIENT OF BOUNTIES OR GRANTS. ASSUMING TWO REMAINING COMPANIES WILLING TO GO ALONG, GOI SHOULD BE APPROACHED TO, IN EFFECT, "CO-SIGN" THE ASSURANCES.

2. EMBOFF SHOULD STRESS TO COMPANY OFFICIALS THAT, WHILE THE INFORMATION AT HAND CLEARLY INDICATES THAT SHIPMENTS BY THESE TWO COMPANIES TO THE U.S. EITHER NIL OR VERY SMALL IN QUANTITY, THE TREASURY CANNOT AS A LEGAL MATTER IN THE ABSENCE OF INFORMATION RELATIVE TO THE ALLEGED SUBSIDIES DETERMINE THAT BOUNTIES OR GRANTS ARE NOT BEING PAID, GIVEN THE ALLEGATIONS IN THE PETITION AND OUR GENERAL KNOWLEDGE OF THE EXISTENCE OF DEVELOPMENT PROGRAMS FOR SOUTHERN ITALY. WHILE EXPORTS TO THE U.S. ARE NOW LIMITED, THERE IS NOTHING TO PREVENT FUTURE SHIPMENTS. SINCE INFORMATION AS TO SUBSIDY UTILIZATION HAS NOT BEEN SUPPLIED, LETTER OF ASSURANCE UNDERWRITTEN BY GOI, IS ONLY POSSIBLE LEGAL MEANS OF AVOIDING COUNTERVAIL.

3. IT MAY BE USEFUL TO ADD THAT ALL OTHER EUROPEAN COUNTRIES SUBJECT TO THE FLOAT GLASS INVESTIGATION HAVE SUPPLIED SUBSTANTIAL DATA, WHILE AT THE SAME TIME MAINTAINING THAT REGIONAL INCENTIVE PROGRAMS, NO MATTER HOW

SMALL, SHOULD NOT BE THE OBJECT OF A COUNTERVAIL INVESTIGATION.

4. WE WOULD AGREE WITH EMBASSY'S SUGGESTION REFTEL PARAGRAPH 6 THAT IF INFORMATION WHICH WAS REQUESTED IS SUPPLIED AND IT INDICATED THAT THE BENEFITS ARE SMALL AND ARE SOLELY AN OFFSET TO COST DIFFERENTIALS OF DOING BUSINESS IN CERTAIN AREAS, NO ASSURANCES WOULD BE NECESSARY. HOWEVER, IT SEEMS CLEAR THAT EVEN AT THIS LATE STAGE COMPANIES ARE NO MORE FORTHCOMING THAN AT THE OUTSET OF THE CASE. INFORMATION ON ST. GOBAIN REFERRED TO IN PARAGRAPH 4 REFTEL, WAS DELIVERED TO TREASURY TODAY. IT SHED NO LIGHT ON DETAILS OF ALLEGED BENEFITS LIMITED OFFICIAL USE

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PAGE 03 STATE 296341

BUT ONLY GIVES BREAKDOWN OF PRODUCTS AND EXPORT PERFORMANCE.

5. WHILE ITALIAN GOVERNMENT APPEARS HELPLESS IN THIS EXERCISE, IT MAY BE USEFUL TO POINT OUT TO GOI OFFICIALS THAT THEIR COMPANIES ARE NOW ISOLATED WITHIN THE EC AS ONLY ONES WHICH HAVE REFUSED TO COOPERATE IN THIS CASE, CREATING SUBSTANTIAL BELIEF THAT THEY DO INDEED

HAVE SOMETHING TO HIDE.

6. AS EMBASSY NO DOUBT AWARE, THIS IS LAST CHANCE TO
AVOID AFFIRMATIVE DETERMINATION IN THIS CASE, WITH ALL
THAT MAY IMPLY. FOR PRACTICAL REASONS, ANY INFORMATION
MUST BE RECEIVED BY DECEMBER 29 TO AFFECT TREASURY
DETERMINATION. INGERSOLL

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